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Problems Are Brewing

May, 22 2008

Interest in the Massachusetts health reform plan remains high, as evidenced by the sell-out crowd at a [forum](#) on Capitol Hill this Monday sponsored by the Alliance for Health Reform and the Kaiser Family Foundation (and which was televised live on C-SPAN).

I was the lone voice on the panel suggesting caution about the plan while "three amigos from Massachusetts," as the other speakers called themselves, expressed confidence that the program is simply experiencing growing pains that can be overcome.

Jon Kingsdale, who heads the Commonwealth Health Insurance Connector Authority, and other architects and implementers of the Massachusetts reform plan say support remains strong among political leaders and the business community.

But problems are brewing. *The Wall Street Journal* on Wednesday published an editorial that called the plan "[The New Big Dig](#)," in reference to Boston's road and tunnel construction project that was legendary for its multi-billion-dollar cost overruns.

A few of the yellow flags I raised during my talk:

- **It's easy to get people to enroll in health insurance if you make it free or nearly so to them.** The great majority of those newly covered by insurance are in plans completely or heavily subsidized by the taxpayer. Of the 330,000 newly enrolled in insurance, at least 232,000 are getting free or heavily subsidized coverage.
- **The hard part is convincing people who don't get subsidies — and who face growing penalties for not enrolling — to buy insurance.** And the state has the audacity to tell residents what they can and cannot afford to pay. For example, if your family income is \$70,001, the state says you can afford to spend \$550 a month, or \$6,600 a year, for health insurance. If you don't buy it or get a waiver, you will be fined. The penalty now is as much as \$1,824 for a couple and will go up again next year.
- **The plan is starting to strain the state budget as well.** Gov. Deval Patrick has asked for \$869 million for fiscal 2009, but state authorities warn the cost will be closer to \$1.1 billion — about as much as the state pays for its total public safety budget. The state also is concerned about another 30,000 - 40,000 people who have job-based coverage now but could be added to the subsidy rolls as well.
- **Insurance costs continue to rise.** The state has approved a 12% rate increase for health insurance for next year.
- **Some safety net hospitals are threatening bankruptcy.** They still are treating a large number of people without health insurance, but the payments they receive for uncompensated care have been cut as part of the health reform deal.
- **The state is finding that Massachusetts' goal of universal coverage is increasingly elusive.** Several hundred thousand people are still without health insurance and will be hardest to enroll because the majority of them won't qualify for subsidies. They face rising health insurance costs, growing fines, or a complex waiver process.
- **The shortage of primary care doctors is making it difficult in some parts of the state for people who are**

newly insured to find a doctor who will take new patients. One person wrote us: "Before, I was uninsured and couldn't see a doctor. Then I made the sacrifice to buy insurance, but I still can't find a doctor who will see me. So now I still don't get to see a doctor, but it's just costing me more."

- The state also has a detailed list of minimum coverage standards for 2009 that many small businesses will not be able to meet. They find the richer package more expensive than they can afford to buy for their workers. What will the state do? Fine them? Relax its rules again?

Massachusetts had a head start on reform with a relatively low uninsured rate, a sophisticated medical system, and political leaders committed to reform. And it is doing us the favor of showing us the problems and complexities of state attempts to achieve universal coverage. California, Wisconsin, Illinois, and other states have tried to launch similar plans, but so far, all have collapsed when they saw the price tag.

I got several email messages from Massachusetts citizens after they saw the forum on TV: "I wish to thank you for the truth you spoke in D.C. regarding the fraudulent, wasteful, corrupt insurance mandate that has become the Massachusetts version of health care reform" one wrote to me. Another said: "Massachusetts has made being uninsured a crime. We do not have enough people willing to speak out for what this law is really doing to the middle income residents."

Here is the [PowerPoint](#) that I used for my presentation on Monday and a [link](#) to Kaiser's webcast of the event.



The International Policy Network in London has published a [new paper](#) for the Campaign for Fighting Diseases (CFD) that is a major contribution to the debate about how the U.S. stands among other nations on health care. You recall, of course, that the World Health Organization claims we rank 37th.

"The WHO rankings are highly influential amongst policymakers, and help drive health reforms all over the world," the CFD says. "Yet they show the USA to have a worse healthcare system than Morocco or Costa Rica — which is clearly absurd."

The CFD paper finds serious flaws with the troublesome report by the WHO, popularized in Michael Moore's *SICKO* movie.

The new paper is descriptively entitled, "Trouble in the Ranks: How the World Health Organization unfairly evaluates national health care systems" and was written by Glen Whitman, an economics professor at California State University at Northridge.

Prof. Whitman concludes that countries were much more likely to get high marks from WHO if everyone in a country gets the same poor quality of care, especially if the system is socialized and tax-funded, than if a country excels in medical care but where access may be unequal.

He also points out numerous structural flaws in the WHO study:

- The WHO report accepts an 80% uncertainty interval in the random samples of data collected for each country in the ratings. An 80% uncertainty level? That's virtually useless data!
- And the study uncovers the WHO's ideological bent. For example, countries with a high level of paternalism get high marks: Health systems should be responsible not only for treating lung cancer, but for preventing smoking in the first place; not just for treating heart disease, but for getting people to exercise and lay off the fatty foods, Whitman says.
- And, as we have written before, the rankings fail to include absolute healthcare measures, such as five-year cancer survival rates — critical indicators of a health system's performance, especially if you are sick and need medical care.

Prof. Whitman concludes: "These rankings are rooted in ideological beliefs and certainly not empirically-balanced and objective as the WHO claims. People interested in genuinely objective measuring of different systems, particularly for developing countries, should look elsewhere for evidence."



And finally, *Health Policy Matters* will be away over Memorial Day and will return in June. Safe travels.

Grace-Marie Turner

Recent News Articles and Studies

[How to Tackle the Entitlement Crisis](#)

[Roundtable Discussion: Telephone-Based Medical Consultations](#)

[Why Doctors Are Heading for Texas](#)

[Medicaid Money Laundering](#)

[Insuring New Jersey's Uninsured](#)

[How to Tackle the Entitlement Crisis](#)

Rep. Paul D. Ryan

The Wall Street Journal, 05/21/08

Wisconsin Rep. Paul Ryan describes a visionary "Roadmap for America's Future" in this important commentary that ran on the day he introduced legislation in Congress to implement the significant entitlement and tax reforms he describes in the article. His comprehensive legislative plan offers ideas to reform health insurance through tax credits, inject competition and choice into Medicare and Medicaid, reform Social Security, and make the tax code flatter and fairer. The payoff: A thriving economy, entitlement programs that are sustainable, and a federal budget that is living within its means. Rep. Ryan is the ranking member on the House Budget Committee, and he has offered a real plan, with real proposals, and real numbers to back them that can be a road map for his colleagues.

[Roundtable Discussion: Telephone-Based Medical Consultations](#)

Telemedicine and e-Health, 05/08

Grace-Marie Turner recently participated in a roundtable discussion on telephone medical consults with a group of experts, including AEI's Tom Miller and Michael Gorton of TelaDoc Medical Services. The panel discussed how consults fit in with 21st century health care, the potential for cost savings and offering value to consumer, and how they fit in a wired world and with telemedicine. "People want more convenience and more accessible care, and that's exactly what telemedicine is offering — and what TeleDoc in particular has been successful in delivering," said Grace-Marie Turner. Anytime you introduce anything new into the marketplace, there's going to be pushback from the status quo. But people want more efficient, less expensive care, and telephone consults are part of the solution.

[Why Doctors Are Heading for Texas](#)

Joseph Nixon, Texas Public Policy Foundation

The Wall Street Journal, 05/17/08

Texas has had stunning success with a series of tort reforms to its civil justice system, writes Nixon. Texas Medical Liability Trust, one of the largest malpractice insurance companies in the state, has slashed its premiums by 35%, saving doctors some \$217 million over four years. The state also has a competitive malpractice insurance industry that is driving rates down. As a result, some 7,000 physicians have flooded into Texas over the last four years. The reforms have also allowed doctors and hospitals to cut costs and even increase the resources devoted to charity care. Over the past four years, Christus Health, a nonprofit Catholic health system across the state, has saved \$100 million that it otherwise would have spent fending off lawsuits or paying higher malpractice premiums. Every dollar saved was reinvested in helping poor patients, the organization reports.

A handful of prominent academic and medical centers, such as Johns Hopkins and Stanford, are trying a disarming approach to disclosing medical errors, reports [The New York Times](#). By promptly disclosing the errors and offering earnest apologies and fair compensation, they hope to restore integrity to dealings with patients, make it easier to learn from mistakes, and dilute anger that often fuels lawsuits. Despite some projections that disclosure would

prompt a flood of lawsuits, hospitals are reporting decreases in their caseloads and savings in legal costs.

[Medicaid Money Laundering](#)

The Wall Street Journal, 05/19/08

The Bush Administration's Medicaid rules, which would curb fraud and abuse in the program, are an example of how difficult it is for the federal government to contain spending, writes *The Wall Street Journal*. States have been "goosing their financing arrangements" to maximize their draw-down of federal dollars, the *Journal* reports, and the administration has tried to stop the scam that is documented by the Government Accountability Office and other agencies. Last year, officials tried to make Medicaid reforms permanent through formal rules changes, but Congress promptly forbade enforcement of the new regulations. That moratorium expires at the end of this month and now Congress wants to extend it until President Bush leaves office. No one really knows how much the state grafters have already grabbed from the Medicaid program, the *Journal* says, though the Congressional Budget Office estimates that the Administration remedies would save \$17.8 billion over five years and \$42.2 billion over ten. This is considered a mere gratuity in Washington, but Medicaid's money laundering is further evidence that Congress isn't serious about spending discipline, writes the *Journal*.

The Administration's August 2007 directive on the State Children's Health Insurance Program keeps the program focused on its core population — low-income uninsured children — and pays particular attention to the impact that SCHIP expansions have on existing private coverage, [writes](#) Nina Owcharenko of The Heritage Foundation. Efforts to undermine these directives will both lead to further erosion of the private health insurance market and overburden public programs.

[Insuring New Jersey's Uninsured](#)

Devon Herrick and John O'Keefe
National Center for Policy Analysis, 05/20/08

Mandated benefits and regulations, such as guaranteed issue and community rating, have driven up the cost of health insurance in New Jersey, write Herrick and O'Keefe. For example, a healthy 25-year-old male could purchase a policy for \$960 a year in Kentucky but would pay about \$5,880 in New Jersey. Instead of community rating and guaranteed issue, New Jersey should allow insurers to charge risk-based premiums, write Herrick and O'Keefe. In order to cover residents too poor to afford private coverage, the state could request a block grant for all federal Medicaid funds, which would give New Jersey the flexibility to provide care in the most efficient way. The state's residents should also be allowed to purchase lower-cost health insurance sold in other states. This would make coverage more affordable by injecting competition into the local market and by allowing residents to purchase insurance without New Jersey's expensive mandates.

Upcoming Events

[Health Insurance Reform: Legislative Options](#)

Coalition for Affordable Health Coverage Event
Wednesday, May 28, 2008, 2:00 p.m. - 4:00 p.m.
Washington, DC

[Serving Patients and Sharing Medical Bills WITHOUT Insurance: Non-Insurance Alternatives to Health Care Reform](#)

Alliance of Health Care Sharing Ministries Event
Wednesday, May 28, 2008, 3:00 p.m. - 4:00 p.m.
Washington, DC

[Third National Medicaid Congress](#)

Health Affairs and Harvard Health Policy Review Event
June 4 - 6, 2008
Washington, DC

[Healthcare: What Can Europeans and Americans Learn from Each Other?](#)

Istituto Bruno Leoni Event
Friday, June 6, 2008, 10:30 a.m.
Milan, Italy
Grace-Marie Turner will discuss the American health care system.

Health Policy Matters is a weekly newsletter containing summaries of timely and informative studies and articles on free-market health reform. It features a commentary by Grace-Marie Turner on the major developments and issues of the week as well as summaries of writings by participants in the Health Policy Consensus Group and other articles of interest from the health policy world, plus announcements of coming events. *Health Policy Matters* is published by

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